REMARKS/ARGUMENTS

In this response, former claim 20 has been canceled and new claim 21 has been added. Claims 2, 5 through 9 and 21 are pending in the application. Claims 2 and 5 through 9 were rejected under 35 U.S.C. 103(a) as being unpatentable over Ryan et al. US Patent 6,684,189 in view of Chodes ("Life insurance as a hidden cash $ource"). Reconsideration of this rejection is requested.

Independent claim 5 has been clarified where certain steps defined in the preamble have been positively included in the body of the claim.

Method claim 5 is for financing a loan where the proceeds of the loan are used to increase the borrower's equity in a property and a mortgage security on the property is provided as partial security on the loan. The borrower is obligated to repay the loan amount as part of a number of steps that include a contractual obligation of the borrower to make premium payments on a life insurance policy on the life of the borrower where this policy includes an investment component and being cashable for a cash surrender value. In this arrangement, the actual funds of the loan are invested in the property, whereas the borrower and the lender have agreed on a repayment of the loan as a function of a particular insurance arrangement which includes the life insurance on the borrower in combination with the investment component. This method further requires that the premium payment has at least a portion thereof invested in at least one investment vehicle with this investment vehicle having a pre-selected estimated rate of return.

With the above arrangement, the borrower has now entered a contract that allows him to increase his equity in a property on the basis of an obligation to the lender to invest in a particular type of insurance product that includes a typical term life insurance component for the life of the borrower in combination with an investment component. This investment component has an estimated rate of return for effective repayment of the loan over time.

In the dependent claims, additional details of the method are provided where the actual rate of return on the investment vehicle is higher or lower than the original estimated rate of return.

As indicated in the application, this particular arrangement for financing of the loan can have certain tax advantages in different jurisdictions where the gains due to the investment vehicle are not taxed as they are associated with an insurance policy.

New method claim 21 further defines the method and requires that the life insurance policy is a universal life insurance policy.

Method claim 5 requires a specific arrangement between the borrower and the lender. The lender provides the loan amount to the borrower and the borrower is obligated to periodically make a premium payment on a life insurance policy on the life of the borrower. This life insurance policy names the lender as a beneficiary and the life insurance policy is cashable for a cash surrender value. Furthermore, the method requires the step of arranging for at least a portion of the premium payment to be invested in at least one investment vehicle where the investment vehicle has a pre-selected estimated rate of return. The actual return from the investment vehicle is used to increase the cash surrender value for eventual settlement of the loan. Settlement of the loan is realized by the lender receiving the cash surrender value of the policy at a pre-selected time in full satisfaction of the loan.

In the dependent claims, additional steps are defined where the rate of return on the at least one investment vehicle may be higher or lower than the estimated return on this investment vehicle. Under these circumstances, the borrower is either obligated to make an additional premium payment, or if the actual rate of return is higher, the borrower can receive a surplus amount.

This method uses the insurance policy to satisfy the loan amount if the borrower dies before the loan is repaid. As the Examiner can appreciate under these

circumstances the funds from the insurance policy are paid out to the lender. This approach is in direct contradiction to a life insurance policy where the entity paying the premium for the life insurance policy is the party to receive the settlement. For example, in key-man insurance policy as set out by the Examiner in the Action, the company has arranged for life insurance on the key-man, and the company pays the premium and also receives the settlement value from the life insurance company if the key-man is no longer available.

The above key man arrangement is in contradiction to the method for securing of a loan where the borrower has received the proceeds of the loan. Furthermore, there is no matching of an investment vehicle that is satisfactory <u>to both the lender and the borrower</u> as part of the premium that has been agreed-upon for a life insurance policy that has a cash surrender value. The prior art of Ryan merely operates as an insurance policy, and does not have the steps of obligating the lender and the borrower as specified in the claims. Chodes is similarly deficient and does not overcome the problems associated with the primary reference. The Chodes reference merely discloses that life insurance policies may at different points in time be sold to a third party. The purpose of this arrangement is that the cash surrender value that an insurance company may provide to the insured party is relatively low. To overcome this problem, third parties are contacted and can review the merits of maintaining the policy and receiving the benefits of a future settlement. The reference discloses the possibility of a third party valuing an existing insurance policy where premiums have been made over a long period of time at a higher amount than the cash surrender value that the insurance company is prepared to or obligated to offer. This arrangement is not directed to a method for effectively increasing a borrower's equity in a property.

If one was to combine the primary reference with the secondary reference, a key-man insurance policy would be taken out by a company or an originating party based on the life of a key-man. This originating party (i.e. the company) would be obligated to pay the premiums, however this party would not have received a loan amount. At some point in the future, the company would attempt to sell the policy to a third party for a cash surrender value which is higher

than the cash surrender value that the insurance company would be prepared to pay the originating party.

There is no disclosure in the references of an investment vehicle with an estimated rate of return that is used for financing of an insurance policy premium, and there is certainly no consideration of establishing proper payment of a loan provided from a lender to a borrower where the cash surrender value of the insurance policy at a later point in time is used for full settlement of the loan.

In view of the above, reconsideration and allowance of the application is requested.

Respectfully submitted,

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